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Jumbo delivers continued revenue and earnings growth despite volatile jackpots; well-positioned for FY24

Jumbo Interactive Limited (ASX:JIN) (**Jumbo**) today announced its results for the full year ended 30 June 2023.

Jumbo CEO and Founder Mike Veverka said "FY23 jackpots were volatile to say the least. The first and third quarters were relatively subdued for ticket sales, while the second quarter was our best ever, underpinned by a record \$160 million Powerball. FY23 represents only the second year in the last decade where lottery ticket sales have declined, and in both cases the decline was marginal. When we look back through several years of data, this does happen and inevitably normalises over time."

"Our player health metrics remain robust, despite the unfavourable profile of jackpots. Lotteries remain a category of spend that continues to prove resilient to economic downturns, including the current environment of higher inflation and interest rates. The response to our pricing changes has been positive, supporting our premium price and premium service model. These changes combined with a more normal run of jackpots, continued growth in online penetration and the final step-up in The Lottery Corporation service fee, mean we are well-positioned for FY24 and beyond."

FY23 performance highlights

Growth across key performance metrics:

- TTV up 29.1% to \$851.9 million.
- Revenue up 13.9% to \$118.7 million.
- Underlying EBITDA¹ up 6.9% to \$58.9 million.
- Underlying NPATA^{1,2} up 8.5% to \$35.3 million.
- Underlying EPSA^{1,2} up 7.8% to 56.1 cents per share.
- Fully franked full year ordinary dividend of 43.0 cents per share (FY22: 42.5 cents per share).

Lottery Retailing

There were 42 Powerball/OzLotto large jackpots³ in FY23 (FY22: 43) with the average value per jackpot down 9.3% to \$36.9 million (FY22: \$40.7 million). These figures however mask the significant volatility in jackpots observed across the year. Notably, FY23 included only five jackpots greater than \$50 million, compared to 13 in the pcp. 1Q23 and 3Q23 large jackpots were relatively subdued, reflecting the third and fourth lowest average value per jackpot periods respectively in four years. Conversely, 2Q23 and the month of June 2023 saw a strong recovery in jackpots and benefitted from a \$160 million and \$100m Powerball respectively.

Against this backdrop, Lottery Retailing generated TTV of \$449.1 million, a 2.5% decline on the pcp. Despite the decline in TTV, revenue increased 0.2% due to a 50bps increase in the revenue margin to 20.3%, reflecting product mix and the impact of pricing changes in May 2023. EBITDA

¹ Adjusted for one-off items of \$1.05 million and \$0.77 million in FY22 and FY23 respectively.

² Net Profit After Tax/Earnings Per Share before amortisation of acquired intangible assets and includes a one-off retrospective tax charge of \$0.86 million in FY23 due to a change in the accounting and tax treatment of the capitalised \$15 million extension fee paid under the Reseller Agreements with The Lottery Corporation (TLC) in August 2020.

³ Greater than or equal to \$15 million.

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increased 1.4% to \$30.5 million, reflecting an EBITDA/revenue margin of 33.4% (FY22: 33.1%). The step-up in the service fee¹ paid to The Lottery Corporation Limited (**TLC**) was more than offset by lower marketing spend and disciplined cost management.

Software-as-a-Service (SaaS)

Jumbo licenses its Powered by Jumbo (**PBJ**) digital lottery platform to government and charity lottery operators in Australia and globally. Jumbo has an advantage through its dual role as a developer and client of our proprietary lottery software.

SaaS delivered underlying TTV growth of 18%² and external revenue growth of 15%² with a slightly lower revenue margin due to product mix. Underlying EBITDA decreased 2.5%² to \$27.7 million, reflecting an EBITDA/revenue margin of 65.3% (FY22: 67.7%²). The decline was due to lower internal revenue from Lottery Retailing as a result of lower TTV, and higher employee and technology costs.

Managed Services

Jumbo provides its lottery platforms as well as lottery management services to charities and worthy causes looking to establish a lottery program or enhance an existing program. Managed Services includes Gatherwell Limited (**Gatherwell**) and the StarVale Group (**StarVale**) in the United Kingdom, and Stride Management Corp (**Stride**) in Canada. Jumbo completed the acquisition of Stride on 1 June 2022 with a full 12-month contribution recorded in FY23 (1-month in pc), and StarVale on 1 November 2022 with an eight-month contribution recorded in FY23 (nil in pc). In aggregate, Managed Services generated \$206.8 million³ in TTV, \$18.7 million³ in revenue and \$6.2 million³ in EBITDA, reflecting an EBITDA/revenue margin of 33.4% (FY22: 17.5%).

FY23 Group financials

Group metrics \$m	Reported FY23 ⁴	Reported FY22	Reported Variance
TTV	851.9	659.9	29.1%
Revenue	118.7	104.3	13.9%
Revenue margin	13.9%	15.8%	(1.9ppts)
Underlying EBITDA ⁵	58.9	55.1	6.9%
Underlying EBITDA margin ⁵	49.6%	52.9%	(3.3ppts)
Underlying NPATA ^{5,6}	35.3	32.5	8.5%
Underlying EPSA ^{5,6}	56.1cps	52.0cps	7.8%

¹ Pursuant to the Reseller Agreements with TLC dated 25 August 2020, a 'stepped-up' service fee is payable in the subscription cost of the tickets purchased at 1.5% FY2021, 2.5% FY2022, 3.5% FY2023, and 4.65% FY2024 and thereafter. If the subscriptions exceed \$400,000,000 in any applicable financial year, then a service of 4.65% applies to the excess amount.

² Excludes \$0.767 million TTV/Revenue and \$0.538 million FY22 EBITDA impact from the sale of Intellitron Pty Ltd on 30 June 2022.

³ Based on average exchange rate of A\$1.00 = C\$0.92 and £0.57.

⁴ Includes a 12-month contribution from Stride (one-month in pc) and eight-month contribution from StarVale (nil in pc).

⁵ Adjusted for one-off items of \$1.05 million and \$0.77 million in FY22 and FY23 respectively.

⁶ Net Profit After Tax/Earnings Per Share before amortisation of acquired intangible assets and includes a one-off retrospective tax charge of \$0.86 million in FY23 due to a change in the accounting and tax treatment of the capitalised \$15 million extension fee paid under the Reseller Agreements with TLC in August 2020.

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Reported FY23 Group TTV, revenue and EBITDA benefitted from the inclusion of Stride (12-month contribution) and StarVale (eight-month contribution). In aggregate, these acquisitions contributed \$185.5 million¹ in TTV, \$15.0 million¹ in revenue and \$5.7 million¹ in EBITDA.

Excluding the impact of Stride and StarVale, Group TTV increased 2.4%, revenue was stable and underlying EBITDA declined 3.8% to \$52.9 million, reflecting an EBITDA/revenue margin of 51.0%.

The underlying EBITDA margin was impacted by the step-up in the service fee paid to TLC², partially offset by disciplined cost management.

FY23 results ahead of Outlook

Despite the backdrop of unfavourable jackpots, Jumbo's FY23 key financial and operating metrics exceeded the FY23 outlook provided in May 2023, with the underlying EBITDA margin (excluding the impact of acquisitions) exceeding the original expected range of 48% to 50%.

	FY23 Outlook ³ (Feb 2023)	Updated FY23 Outlook (May 2023) ³	Status (FY23)
Lottery Retailing	• Marketing costs expected to be in the range of 1.5% to 2.0% of Lottery Retailing TTV (FY22: 1.7%)	1.3%-1.5%	✓ 1.3%
Group (excluding impact of Stride and StarVale)	• Underlying operating cost growth excluding Lottery Retailing marketing costs to increase 16% to 18% (FY22: 33.2%)	6%-8%	✓ 4.7%
	• Underlying EBITDA margin expected to be at the upper end of the original range of 48% to 50% (FY22: 52.9%)	~48%	✓ 51.0%

Jumbo CEO and Founder Mike Veverka said "This isn't the first time we've seen an unfavourable run of jackpots. Pleasingly, our nimbleness means we were able to quickly adapt to the operating environment and flex our cost base. Good cost discipline and our ability to drive strong ticket sales at large jackpot levels, particularly in June for the \$60 million and \$100 million Powerball jackpots, meant we were able to exceed our original EBITDA margin expectations."

Dividend and Capital management

The ongoing positive cash generation of the business and strength of the balance sheet enabled the Board to declare a final, fully franked dividend of 20.0 cents per share, taking the total dividend for the year to 43.0 cents per share (FY22: 42.5 cents per share). This translates to a dividend payout ratio of 85.7%, slightly above the top end of our targeted 65% to 85% dividend payout ratio range. The record and payment date for the dividend is 1 September 2023 and 22 September 2023 respectively.

¹ Based on average exchange rate of A\$1.00 = C\$0.92 and £0.57

² Pursuant to the Reseller Agreements with TLC dated 25 August 2020, a 'stepped-up' service fee is payable in the subscription cost of the tickets purchased at 1.5% FY2021, 2.5% FY2022, 3.5% FY2023, and 4.65% FY2024 and thereafter. If the subscriptions exceed \$400,000,000 in any applicable financial year, then a service of 4.65% applies to the excess amount.

³ For further detail on the FY23 Outlook, please refer to the 1H23 Results Investor Presentation released on 24 February 2023 and Jumbo's presentation at the Macquarie Australia Conference on 3 May 2023.

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As part of a proactive approach to capital management, Jumbo commenced an on-market share buy-back of up to \$25 million in September 2022. As at 30 June 2023, \$2.6 million worth of shares had been purchased. The pace of the buyback was impacted by several factors, notably the unfavourable run of jackpots over the course of the year. The Board has agreed to continue the on-market share buy-back and will maintain a disciplined approach to execution, with the timing and number of shares to be purchased dependant on the prevailing share price and alternative capital deployment opportunities. The Group reserves the right to vary, suspend or terminate the share buy-back program any time.

Jumbo CEO and Founder Mike Veverka said *"The strength of our balance sheet, strong cash generation profile and debt headroom provide flexibility to support further organic growth and our strong pipeline of M&A, while the on-market buy back remains an effective way of returning surplus capital to shareholders."*

FY24 Outlook

Jumbo recently completed its annual planning process and expects the FY24 results will contain the following key features:

Lottery Retailing¹:

- Marketing costs are expected to be in the range of 1.5% to 2.0% of Lottery Retailing TTV dependent on jackpots (FY23: 1.3%);
- Cost of sales to be impacted by the final step-up in the TLC service fee² to 4.65% of the subscription price of tickets purchased (3.5% in FY23);
- Improved revenue margin³ following portfolio pricing changes announced in May 2023 (FY23: 20.3%).

Acquisitions (Gatherwell + Stride + StarVale):

- Mid-to-high single digit revenue growth;
- Modest investment to optimise governance, seed Jumbo culture and drive future growth.

Group (excluding impact of incentives⁴):

- Underlying operating cost growth to grow at a slower pace than revenue on a like-for-like-basis⁵; FY23 benefitted from significantly lower short-term incentive payments due to underlying NPAT growth being below the required hurdle rate.
- Underlying EBITDA margin is expected to be in a range of 48% to 50%² (FY23: 50.1%).

FY23 investor/analyst briefing

A briefing for investors and analysts will be held today at 10.30am (Brisbane/AEST).

To register to access the webcast please click on the following link:

¹ Jackpots remain a significant driver of Lottery Retailing ticket sales (and revenue) and in any given year there is uncertainty as to the exact number and aggregate value of large jackpots.

² Pursuant to the Reseller Agreements with TLC signed dated 25 August 2020, a 'stepped-up' service fee is payable in the subscription cost of the tickets purchased at 1.5% FY2021, 2.5% FY2022, 3.5% FY2023, and 4.65% FY2024 and thereafter. If the subscriptions exceed \$400,000,000 in any applicable financial year, then a service of 4.65% applies to the excess amount.

³ Pro-forma FY23 Lottery Retailing revenue margin estimated to be ~22.8% based on FY23 jackpot profile and portfolio mix.

⁴ Excludes the impact of short-term incentives and Share-based Payments (SBP).

⁵ StarVale contributed only eight-months to FY23.

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[Jumbo Interactive Limited FY23 Results Briefing](#)

To register to access the conference call please click on the following link:

<https://s1.c-conf.com/diamondpass/10030902-xdwbk7.html>

Annual General Meeting

For the purposes of ASX Listing Rule 3.13.1, Jumbo advises that:

- The Annual General Meeting will be held on Thursday 9 November 2023 at 11.00am (AEST) at its Brisbane Office as a hybrid meeting allowing in-person and online attendance; and
- In accordance with Rule 40.13(a) of the constitution of Jumbo Interactive Limited, the closing date for the receipt of director nominations is Thursday 28 September 2023, being at least 30 business days before the Annual General Meeting.

- Ends -

Authorised for release by the Board of Directors.

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About Jumbo Interactive

Jumbo is a digital lottery specialist, providing our proprietary lottery software platforms and lottery management expertise to the charity and government lottery sectors in Australia and globally. Our mission is to *create positive social impact through making lotteries easier* and our vision is to become the *number one choice in digital lottery and services* around the world.

Jumbo was founded by Chief Executive Officer Mike Veverka in 1995 with a single computer. Since then, it has matured into a leading digital lottery retailer and lottery software provider with over 250 employees across Australasia, the United Kingdom (UK) and Canada. In FY23, Jumbo helped raise over \$230m for good causes for our charity partners. Jumbo was listed on the ASX in 1999.